

**COMPASS POINTE**  
INDEPENDENT AUDITORS' REPORTS,  
FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED  
JUNE 30, 2008

COMPASS POINTE  
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COMPASS POINTE  
OFFICIALS  
JUNE 30, 2008

EXECUTIVE DIRECTOR ..... JoAnn DeYoung

BOARD OF DIRECTORS (terms expire January 1, 2009)

Officers:

President ..... Tom Farnsworth  
Vice-President ..... Dennis Wright  
Secretary-Treasurer ..... Del Brockshus

Delegates:

Buena Vista County ..... Herb Crampton  
  
Clay County ..... Del Brockshus  
Burlin Matthews  
  
Dickinson County ..... Greg Baloun  
George Morris  
  
Emmet County ..... Roger Anderson  
Alan Madden  
  
Kossuth County ..... Jack Plathe  
  
Lyon County ..... Mark Behrens  
Craig Block  
  
O'Brien County ..... Tom Farnsworth  
Jake Moermond  
  
Osceola County ..... Bill Imhoff  
Daryl Streng  
  
Palo Alto County ..... Ron Graettinger  
  
Sioux County ..... Dennis Wright  
Mark Sybesma

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Compass Pointe

We have audited the accompanying statement of financial position of Compass Pointe as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Compass Pointe's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Compass Pointe's June 30, 2007 financial statements and, in our report dated October 31, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Compass Pointe at June 30, 2008 and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2008 on our consideration of Compass Pointe's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Winter, Steve AC ZTP

November 18, 2008

COMPASS POINTE  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2008  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2007

ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT ASSETS:		
Cash (Notes 1 and 7) .....	\$340,844	\$378,728
Accounts receivable - net (Notes 1 and 2) .....	164,655	164,381
Prepaid expenses .....	<u>32,636</u>	<u>32,977</u>
TOTAL CURRENT ASSETS	<u>538,135</u>	<u>576,086</u>
PROPERTY AND EQUIPMENT (Note 1):		
Office equipment .....	193,700	180,082
Video system and equipment .....	127,165	124,434
Leasehold improvements .....	<u>79,016</u>	<u>77,520</u>
TOTAL PROPERTY AND EQUIPMENT	399,881	382,036
Less accumulated depreciation .....	<u>(358,333)</u>	<u>(345,603)</u>
PROPERTY AND EQUIPMENT - NET	<u>41,548</u>	<u>36,433</u>
OTHER ASSETS:		
Non-marketable security (Note 3) .....	<u>75,386</u>	<u>39,214</u>
TOTAL ASSETS	<u>\$655,069</u>	<u>\$651,733</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable .....	\$ 8,300	\$ 8,039
Other liabilities .....	99,475	99,490
Other accrued expenses .....		71
Accrued vacation pay (Note 1) .....	34,907	33,749
Accrued unemployment claims (Note 1) .....	<u>16,193</u>	<u>16,193</u>
TOTAL CURRENT LIABILITIES	<u>158,875</u>	<u>157,542</u>
NET ASSETS:		
Unrestricted (Notes 1 and 10) .....	489,010	482,507
Temporarily restricted (Note 1) .....	<u>7,184</u>	<u>11,684</u>
TOTAL NET ASSETS	<u>496,194</u>	<u>494,191</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$655,069</u>	<u>\$651,733</u>

COMPASS POINTE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2007

	<u>2008</u>	<u>2007</u>
UNRESTRICTED NET ASSETS		
PUBLIC SUPPORT AND REVENUES:		
Comprehensive treatment contract .....	\$ 754,366	\$ 625,226
Comprehensive prevention contract .....	155,753	155,902
Other contracts .....	279,650	249,276
Counties .....	118,940	118,940
Cities .....	8,222	6,112
Donations .....	1,222	5,330
Client fees .....	518,416	545,561
Other fees .....	45,092	57,146
Interest .....	17,998	21,944
Other .....	25,645	21,457
TOTAL PUBLIC SUPPORT AND REVENUES	<u>1,925,304</u>	<u>1,806,894</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>4,500</u>	<u>9,399</u>
EXPENSES:		
Program services .....	1,581,647	1,552,114
Support services .....	<u>341,654</u>	<u>372,528</u>
TOTAL EXPENSES	<u>1,923,301</u>	<u>1,924,642</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>6,503</u>	<u>(108,349)</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Net assets released from restrictions .....	<u>(4,500)</u>	<u>(9,399)</u>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(4,500)</u>	<u>(9,399)</u>
NET ASSETS - BEGINNING OF YEAR .....	<u>494,191</u>	<u>611,939</u>
NET ASSETS - END OF YEAR	<u>\$ 496,194</u>	<u>\$ 494,191</u>

COMPASS POINTE  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2008  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2007

	2008			2007
	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>	<u>Total</u>
Salaries and wages .....	\$ 914,040	\$204,577	\$1,118,617	\$1,052,816
Fringe benefits and payroll taxes .....	<u>265,763</u>	<u>75,552</u>	<u>341,315</u>	<u>353,916</u>
TOTAL COMPENSATION AND RELATED EXPENSES	1,179,803	280,129	1,459,932	1,406,732
Auditing and legal services .....		8,256	8,256	8,013
Bad debts .....	31,792		31,792	18,000
Contract services .....	38,387		38,387	49,651
Insurance .....	13,329	4,799	18,128	17,268
Medical services .....				4,800
Miscellaneous .....	9,191	4,507	13,698	19,622
Rent .....	99,595	16,313	115,908	107,415
Repairs and maintenance .....	36,166	7,239	43,405	43,765
Special projects .....	42,006		42,006	66,671
Staff training and education .....	12,543	3,984	16,527	51,621
Supplies .....	45,947	5,582	51,529	51,547
Telephone .....	19,300	2,657	21,957	21,598
Travel .....	30,186	3,614	33,800	32,933
Utilities .....	<u>14,915</u>	<u>331</u>	<u>15,246</u>	<u>10,190</u>
TOTAL EXPENSES BEFORE DEPRECIATION	1,573,160	337,411	1,910,571	1,909,826
Depreciation .....	<u>8,487</u>	<u>4,243</u>	<u>12,730</u>	<u>14,816</u>
 TOTAL EXPENSES	<u>\$1,581,647</u>	<u>\$341,654</u>	<u>\$1,923,301</u>	<u>\$1,924,642</u>



COMPASS POINTE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2008  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets .....	\$ 2,003	\$(117,748)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation .....	12,730	14,816
(Increase) decrease in current assets:		
Accounts receivable .....	(274)	(51,345)
Prepaid expenses .....	341	(1,650)
Increase (decrease) in current liabilities:		
Accounts payable .....	261	(4,203)
Accrued expenses and other liabilities .....	<u>1,072</u>	<u>102,580</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>16,133</u>	<u>(57,550)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment .....	(17,845)	(33,090)
Purchase of non-marketable security .....	<u>(36,172)</u>	<u>          </u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(54,017)</u>	<u>(33,090)</u>
NET DECREASE IN CASH	(37,884)	(90,640)
CASH AT BEGINNING OF YEAR .....	<u>378,728</u>	<u>469,368</u>
CASH AT END OF YEAR	<u>\$340,844</u>	<u>\$ 378,728</u>

COMPASS POINTE  
NOTES TO FINANCIAL STATEMENTS

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Compass Pointe, formerly Northwest Iowa Alcoholism and Drug Treatment Unit, Inc., is an Iowa non-profit organization based in Spencer, Iowa, with offices in a ten county area of Northwest Iowa. Its primary activities are the treatment of individuals suffering from drug, alcohol and gambling abuse and providing information and services related to the prevention of drug and alcohol abuse.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board for non-profit corporations. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

**Basis of Presentation**

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Compass Pointe and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that they be used by Compass Pointe for specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash consists of balances held in checking, money market savings and certificate of deposit accounts.

**Accounts Receivable**

Compass Pointe charges uncollectible receivables against income and maintains an allowance for estimated uncollectibles based on management's estimate of the amount of receivables that will actually be collected. Accounts deemed to be worthless are written off annually. See also Note 2.

**Property and Equipment**

Property and equipment is stated at cost. Maintenance and repair costs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to ten years.

**Accrued Expenses**

Accrued vacation pay is estimated at each year end based on all vacation hours earned less hours used, limited to a maximum of eighty hours, and payable at current pay rates. Accrued unemployment claims are estimated at each year end based on claims which may be filed against Compass Pointe related to wages paid to employees during or prior to the fiscal year end.

COMPASS POINTE  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Temporarily Restricted Net Assets**

Temporarily restricted net assets result from private foundation contributions stipulating the use of the funds for certain substance abuse prevention activities. Compass Pointe anticipates utilizing these funds for activities to be conducted in the fiscal year ending June 30, 2009.

**Functional Allocation of Expenses**

The costs of providing Compass Pointe's various programs and support services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and support services benefited.

**Income Taxes**

Compass Pointe is a non-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes. The organization is not classified as a private foundation by the Internal Revenue Service.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Comparative Data**

The financial statements include certain 2007 comparative information. With respect to the Statement of Functional Expenses, 2007 expenses by object are presented in total rather than by functional category. Accordingly, such information should be read in conjunction with Compass Pointe's financial statements for the year ended June 30, 2007 from which the summarized information was derived.

**2. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Contracted services .....	\$ 93,331	\$ 86,519
Client fees .....	<u>143,324</u>	<u>219,690</u>
Total accounts receivable	236,655	306,209
Less allowance for doubtful accounts .....	<u>(72,000)</u>	<u>(141,828)</u>
Accounts Receivable - Net	<u>\$164,655</u>	<u>\$164,381</u>

At June 30, 2008 and 2007, client fees balances consist primarily of accounts from the Northwest Iowa geographic area. The organization does not require collateral as a condition of the extension of credit.

COMPASS POINTE  
NOTES TO FINANCIAL STATEMENTS - Continued

**3. NONMARKETABLE SECURITY**

Compass Pointe has acquired 153 shares of Class P common stock of Tri-State Behavioral Health Association, Inc. (Tri-State), an Iowa corporation. These shares of stock are recorded at cost. Tri-State is a management service organization entity jointly owned by mental health centers and independent providers, as well as St. Luke's Health Resources and Jackson Recovery Centers of Sioux City, Iowa. Tri-State provides a high-quality, geographically accessible, managed care oriented, multi-specialty provider behavioral health services network serving twenty-two counties in Northwest Iowa.

**4. OPERATING LEASES**

Compass Pointe leases three offices at various locations under non-cancelable operating leases expiring from November 2008 through June 2012. The future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2009 .....	\$ 24,275
2010 .....	18,000
2011 .....	18,000
2012 .....	<u>18,000</u>
Total	<u>\$ 78,275</u>

Rent expenses under the above leases and monthly leases for five additional locations totaled \$115,908 and \$107,415 for the years ended June 30, 2008 and 2007, respectively.

**5. RETIREMENT PLAN**

Compass Pointe maintains a defined-contribution retirement plan for all eligible employees with one year of service. The plan calls for Compass Pointe to contribute 6¼% of each qualified employee's annual salary for employees who contribute at least 3% of their salary to the plan. Contributions under this plan totaled \$50,658 and \$50,716 for the years ended June 30, 2008 and 2007, respectively.

**6. RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2008, Compass Pointe entered into business transactions with related parties totaling \$2,716.

**7. CONCENTRATIONS OF CREDIT RISK**

Compass Pointe maintains its cash balances in a financial institution located in Spencer, Iowa. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits in excess of \$100,000 are covered by a bank deposit guarantee bond.

COMPASS POINTE  
NOTES TO FINANCIAL STATEMENTS - Continued

**8. ECONOMIC DEPENDENCY**

Compass Pointe generates approximately 50% of its revenue from contracts to provide services for the Iowa Department of Public Health (IDPH) and the Iowa Plan for Behavioral Health (Iowa Plan). Under the terms of the IDPH contracts, Compass Pointe submits reports of its expenditures and/or activities to the IDPH on a monthly basis and is subsequently reimbursed as provided for in the contract. Compass Pointe has been awarded contracts from IDPH to provide prevention and gambling treatment services for the fiscal year ending June 30, 2009 totaling \$431,653.

The Iowa Plan contracts provide for equal monthly payments to Compass Pointe, dependent upon its meeting specified unduplicated client levels and providing specified services. As described in Note 10, a reimbursement of contract payments was required for the contract year ended June 30, 2007. The reimbursement is being made in monthly payments of \$8,291 for July 2008 through June 2009. Compass Pointe has not been informed whether any reimbursement of contract payments will be required for the contract year ended June 30, 2008. Compass Pointe has been awarded contracts from the Iowa Plan to provide treatment services for the year ending June 30, 2009 totaling \$772,707.

The IDPH and Iowa Plan contracts are comprised of both federal and state funds. The federal portion of the contract amounts for the fiscal year ending June 30, 2009 is approximately equal to amounts received for the fiscal year ended June 30, 2008. However, the availability of the federal funds is contingent upon federal block grant appropriations to the respective states.

**9. RISK MANAGEMENT**

Compass Pointe is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Compass Pointe assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**10. PRIOR PERIOD ADJUSTMENT**

During the year ended June 30, 2008, Compass Pointe discovered an error in the prior period financial statements related to a reimbursement due to the Iowa Plan in the amount of \$99,490. Compass Pointe was informed in June 2008 of the required reimbursement, which resulted from Compass Pointe's failure to meet a contract requirement to serve a minimum number of clients for the contract year ended June 30, 2007. Adjustments related to correcting this error increased other liabilities and decreased comprehensive treatment contract revenue and unrestricted net assets at June 30, 2007 by \$99,490.

COMPASS POINTE  
NOTES TO FINANCIAL STATEMENTS - Continued

**11. DONATED SERVICES**

The Organization receives donated services from a variety of unpaid volunteers who make significant contributions of their time in conjunction with programs and services. No amounts have been recognized for these services in the accompanying statement of activities because the criteria for recognition of such volunteer effort as contributed services has not been satisfied. However, the Organization did utilize donated services valued at \$54,705 to satisfy a portion of the Organization's match requirement stipulated in two grants.

## SUPPLEMENTAL INFORMATION

COMPASS POINTE  
SCHEDULE OF REVENUE AND EXPENSES BY CONTRACT  
IOWA DEPARTMENT OF PUBLIC HEALTH CONTRACTS  
FOR THE YEAR ENDED JUNE 30, 2008

	Comprehensive Prevention 5888CP23	Youth Mentoring 5888YM10	Prevention Through Mentoring 5888YM79	Tobacco Use 5888TS51	Gambling 5888GP01	Total
REVENUE:						
Iowa Department of Public Health .....	\$155,253	\$47,000	\$53,000	\$40,000	\$138,400	\$433,653
EXPENSES:						
Salaries & benefits .....	90,112	35,897	29,265	25,758	96,562	277,594
Contract services .....					636	636
Other operating expense .....	44,891	4,972	16,822	9,245	24,056	99,986
Indirect expense .....	20,250	6,131	6,913	4,997	17,146	55,437
Total Expenses	155,253	47,000	53,000	40,000	138,400	433,653
REVENUE OVER EXPENSES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0



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INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of  
Compass Pointe

We have audited the financial statements of Compass Pointe, Spencer, Iowa, as of and for the year ended June 30, 2008 and have issued our report thereon dated November 18, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financing Reporting

In planning and performing our audit, we considered Compass Pointe's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Compass Pointe's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Compass Pointe's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Compass Pointe's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood of a misstatement of Compass Pointe's financial statements that is more than inconsequential will not be prevented or detected by Compass Pointe's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Compass Pointe's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Compass Pointe's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about Compass Pointe's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Compass Pointe. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and constituents of Compass Pointe and other parties to whom Compass Pointe may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Compass Pointe during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Winter, Stone & Co LLP*

November 18, 2008